

SUBSTANCE ABUSE SERVICES CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2004  
AND  
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER  
JUNE 30, 2004

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditors' Report	4 - 5
Financial Statements:	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 15
Supplementary Information:	
Schedule I - Schedule of Gambling Revenue and Expenditures	16
Schedule II - Schedule of Expenditures of Federal Awards	17
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting	18 - 19

SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Dykstra	President	May 2005
Clifford Bunting	Vice-President	May 2005
C. Howard Wallace	Secretary	May 2005
Dan Avenarius	Treasurer	May 2005
Leo Hickie III	Member	May 2007
Dorothy Schlueter	Member	May 2005
Jerome Thomas	Member	May 2005
Sheila Freiburger	Member	May 2005
Jan Scott	Member	May 2006
Frank Gilloon	Member	May 2005
Jack Young	Member	May 2005
Lou Fuller	At Large Alternate	May 2006
Diane Thomas	Executive Director	Indefinite

## Independent Auditors' Report

To the Board of Directors  
Substance Abuse Services Center

We have audited the accompanying financial statements, listed in the table of contents of this report, of Substance Abuse Services Center (a nonprofit organization), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center at June 30, 2004, and the results of its operations and changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2004, on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of Gambling Revenue and Expenditures and Expenditures of Federal Awards on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
August 26, 2004

SUBSTANCE ABUSE SERVICES CENTER

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2004

	Unrestricted		
	Current	Property and Equipment	Total
Assets			
Current Assets:			
Cash	\$ 384,604	\$ -0-	\$ 384,604
Accounts receivable, less allowance for doubtful accounts \$16,404	21,632	-0-	21,632
Prepaid expenses	7,562	-0-	7,562
Grants receivable	26,063	-0-	26,063
Other receivables	1,153	-0-	1,153
Total Current Assets	<u>\$ 441,014</u>	<u>\$ -0-</u>	<u>\$ 441,014</u>
Property and Equipment:			
Office furniture and equipment	\$ -0-	\$ 159,595	\$ 159,595
Leasehold improvements	-0-	54,806	54,806
Accumulated depreciation	-0-	(149,513)	(149,513)
Net Property and Equipment	<u>\$ -0-</u>	<u>\$ 64,888</u>	<u>\$ 64,888</u>
Total Assets	<u>\$ 441,014</u>	<u>\$ 64,888</u>	<u>\$ 505,902</u>
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 10,081	\$ -0-	\$ 10,081
Accrued salaries	5,902	-0-	5,902
Compensated absences	28,356	-0-	28,356
Accrued expenses	2,983	-0-	2,983
Total Current Liabilities	<u>\$ 47,322</u>	<u>\$ -0-</u>	<u>\$ 47,322</u>
Net Assets:			
Net Assets - Undesignated	\$ 360,204	\$ 64,888	\$ 425,092
Net Assets - Board Designated for Suta Claims	33,488	-0-	33,488
Total Net Assets	<u>\$ 393,692</u>	<u>\$ 64,888</u>	<u>\$ 458,580</u>
Total Liabilities and Net Assets	<u>\$ 441,014</u>	<u>\$ 64,888</u>	<u>\$ 505,902</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

		Unrestricted	
		Property and Equipment	
	Current		Total
<u>PUBLIC SUPPORT AND REVENUE</u>			
<u>Public Support:</u>			
Iowa Department of Public Health:			
Managed Care -State Funds	\$ 417,662	\$ -0-	\$ 417,662
Managed Care-Federal Funds	265,908	-0-	265,908
Halfway House - ODCP	3,873	-0-	3,873
United Way	46,700	-0-	46,700
Cities	14,648	-0-	14,648
Schools	38,178	-0-	38,178
Gambling Grant	95,171	-0-	95,171
OWI III Contract	19,833	-0-	19,833
Jail Program - ODCP	38,312	-0-	38,312
Dubuque Jail Diversion	5,803	-0-	5,803
DSA - Tobacco	15,459	-0-	15,459
U.S. Probation Office:			
Probation Service	3,241	-0-	3,241
Federal Bureau of Prisons	5,590	-0-	5,590
Total Public Support	<u>\$ 970,378</u>	<u>\$ -0-</u>	<u>\$ 970,378</u>
<u>Revenue:</u>			
Client Fees	\$ 215,518	\$ -0-	\$ 215,518
Third Party Pay	160,631	-0-	160,631
Room, Board and Vending	1,142	-0-	1,142
Interest on Investments	3,665	-0-	3,665
Miscellaneous	11,963	-0-	11,963
Total Revenue	<u>\$ 392,919</u>	<u>\$ -0-</u>	<u>\$ 392,919</u>
Total Public Support and Revenue	<u>\$ 1,363,297</u>	<u>\$ -0</u>	<u>\$ 1,363,297</u>
<u>EXPENSES</u>			
Program Services	\$ 1,093,603	\$ -0-	\$ 1,093,603
Support Services	216,367	31,990	248,357
Total Expenses	<u>\$ 1,309,970</u>	<u>\$ 31,990</u>	<u>\$ 1,341,960</u>
Change in Net Assets	\$ 53,327	\$ (31,990)	\$ 21,337
<u>Other Changes in Net Assets:</u>			
Equipment Purchases and Disposals	(15,495)	15,495	-0-
Net Assets Beginning of Year (As Restated in 2003)	355,860	81,383	437,243
Net Assets End of Year	<u>\$ 393,692</u>	<u>\$ 64,888</u>	<u>\$ 458,580</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2004

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention	Halfway House			
Salaries	\$ 533,779	\$ 61,864	\$ 63,802	\$ 74,921	\$ 734,366	\$ 104,350	\$ 838,716
Benefits and Taxes	111,597	16,368	16,073	13,691	157,729	17,942	175,671
Total Salaries and Related Expenses	\$ 645,376	\$ 78,232	\$ 79,875	\$ 88,612	\$ 892,095	\$ 122,292	\$ 1,014,387
Rent	58,113	4,579	2,935	20,400	86,027	4,579	90,606
Supplies and Printing	29,972	1,401	2,815	2,888	37,076	6,177	43,253
Insurance	5,454	467	276	483	6,680	302	6,982
Postage	2,919	210	173	189	3,491	210	3,701
Dues and Subscriptions	252	16	-0-	413	681	3,277	3,958
Business Travel	2,902	4,499	3,849	559	11,809	6,938	18,747
Conferences and Travel	5,053	984	942	149	7,128	654	7,782
Contract Services	11,786	-0-	-0-	606	12,392	17,715	30,107
Telephone	11,705	1,102	465	3,441	16,713	3,840	20,553
Advertising	1,475	112	66	129	1,782	114	1,896
Small Equipment and Repair	7,164	304	1,018	1,464	9,950	4,115	14,065
Bad debts	3,785	-0-	-0-	1,205	4,990	-0-	4,990
Groceries	-0-	-0-	-0-	11,663	11,663	-0-	11,663
Utilities	1,689	120	67	9,706	11,582	120	11,702
Loss on Sale of Property & Equipment	-0-	-0-	-0-	-0-	-0-	4,317	4,317
Miscellaneous	11,020	75	150	287	11,532	9,727	21,259
Total Expenses Before Depreciation	\$ 798,665	\$ 92,101	\$ 92,631	\$ 142,194	\$ 1,125,591	\$ 184,377	\$ 1,309,968
Depreciation	-0-	-0-	-0-	-0-	-0-	31,990	31,990
Total Expenses After Depreciation	\$ 798,665	\$ 92,101	\$ 92,631	\$ 142,194	\$ 1,125,591	\$ 216,367	<u>\$ 1,341,958</u>
Administrative Services Allocation	153,522	17,711	17,814	27,320	216,367	(216,367)	
Total	<u>\$ 952,187</u>	<u>\$ 109,812</u>	<u>\$ 110,445</u>	<u>\$ 169,514</u>	<u>\$ 1,341,958</u>	<u>\$ -0-</u>	

See accompanying notes to financial statements.



SUBSTANCE ABUSE SERVICES CENTER

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows From Operating Activities:	
Cash received from patient fees	\$ 380,185
Cash received from grants	1,003,588
Cash received from others	12,705
Interest received	3,665
Cash paid to employees and suppliers	<u>(1,326,315)</u>
Net Cash Provided By Operating Activities	<u>\$ 73,828</u>
Cash Flows From Investing Activities:	
Cash purchases of property and equipment	<u>\$ (19,413)</u>
Net Cash Used From Investing Activities	<u>\$ (19,413)</u>
Net Increase in Cash and Equivalents	\$ 54,415
Cash and Equivalents at Beginning of Year	<u>330,189</u>
Cash and Equivalents at End of Year	<u><u>\$ 384,604</u></u>
Reconciliation of Changes in Net Assets to Net Cash from Operating Activities	
Changes in Net Assets	<u>\$ 21,337</u>
Adjustments:	
Depreciation	\$ 31,990
Loss on disposal of equipment	4,317
Donated equipment	(400)
Changes in Assets and Liabilities:	
Decrease in patient accounts receivable	4,036
Increase in prepaid expenses	(1,642)
Decrease in grants receivable	33,240
Decrease in accounts payable	(20,958)
Increase in accrued salaries	805
Increase in accrued expenses	<u>1,103</u>
Net cash Provided By Operating Activities	<u><u>\$ 73,828</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide comprehensive prevention and treatment services for individuals and families experiencing problems related to alcohol and other drugs, compulsive gambling, and other addictive behaviors, and to provide affordable quality care that prepares individuals to make no risk or low risk choices in their lives.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

Current Fund - The unrestricted fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitations of its charter and bylaws except for unrestricted amounts invested in equipment that may be accounted for in a separate fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designation within the current fund and segregates the designated and undesignated portions of the fund within the net assets section of the statement of financial position.

Equipment Fund - The equipment fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing equipment for use in the operations of the organization.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted net assets and capitalized in the equipment fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Cash

The Center considers cash, and other demand deposits as cash. The Center's cash consisted of demand deposits in the amount of \$384,604 for the year ended June 30, 2004.

F. Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

G. Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 3-12 years.

H. Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

I. Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

J. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

K. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the year ended June 30, 2004 was \$1,896.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

N. Total Column

The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Office Equipment	\$ 212,312	\$ 19,413	\$ 81,329	\$ 150,396
Education Equipment	3,307	-0-	2,867	440
Leasehold Improvements	54,806	-0-	-0-	54,806
Halfway House Equipment	<u>8,359</u>	<u>400</u>	<u>-0-</u>	<u>8,759</u>
Total	<u>\$ 278,784</u>	<u>\$ 19,813</u>	<u>\$ 84,196</u>	<u>\$ 214,401</u>

Depreciation expense for the year ended June 30, 2004 was \$31,990.

(3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$8,440 relating to the matching of employee contributions for the year ended June 30, 2004.

(4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2003 and ending on June 30, 2008. Monthly lease payments are \$4,891.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Manchester, Iowa for the rental of office space in Manchester. The lease is for five years commencing on November 15, 1999 and ending November 14, 2004 with monthly lease payments of \$979. The lease has a five-year option to renew with rent increases based on the Consumer Price Index.

Substance Abuse Services Center has also entered into a lease agreement with The Center for Public Ministries, Inc., Dubuque, Iowa for the rental of a Half-way House. The lease is for one year commencing July 1, 2004 and ending on June 30, 2005 with monthly lease payments of \$1,700. The lease has a one year renewal option.

Rental expense for the year ended June 30, 2004 was \$ 90,606.

A summary of minimum operating lease payments are as follows:

Year Ending June 30.	<u>Manchester</u>	<u>Dubuque</u>	<u>Total</u>
2005	\$ 4,406	\$ 79,089	\$ 83,495
2006	-0-	58,689	58,689
2007	-0-	58,689	58,689
2008	-0-	58,689	58,689
	<u>\$ 4,406</u>	<u>\$255,156</u>	<u>\$259,562</u>

(5) Grants Receivable

Grants Receivable at June 30, 2004 are composed of the following:

Federal Bureau of Prisons	\$ 920
Iowa Department of Correctional Services	1,652
Unites States Probation Office	806
Dubuque County Jail Diversion	1,498
Iowa Department of Public Health - Division of Tobacco Use	4,890
Iowa Department of Public Health - Gambling Treatment	<u>16,297</u>
	<u>\$ 26,063</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2004 include the following:

SUTA Claims Account	<u>\$33,488</u>
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SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(8) Concentration of Credit Risk:

The Center maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004 the Center had an uninsured cash balance at one of the institutions in the amount of \$19,878.

(9) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 51.0% of total revenue for the year ended June 30, 2004.

(10) Net Assets Restatement and Prior Period Adjustment

During 2004, management received an incentive payment from Magellan Behavioral Health that related to services provided in the fiscal year ended June 30, 2003.

The restatement increased current Unrestricted Operating Net Assets and Grant Receivables as previously reported at June 30, 2003 by \$21,771.

	<u>Current Unrestricted</u>	<u>Equipment Fund</u>	<u>Total</u>
Net Assets at June 30, 2003, as previously reported	\$ 334,089	\$ 81,383	\$ 415,472
Prior Period Adjustment	<u>21,771</u>	<u>-0-</u>	<u>21,771</u>
Net Assets at June 30, 2003, as restated	<u>\$ 355,860</u>	<u>\$ 81,383</u>	<u>\$ 437,243</u>

SUBSTANCE ABUSE SERVICES CENTER  
SCHEDULE OF GAMBLING REVENUE AND EXPENDITURES  
CONTRACT #5889GP05  
FOR THE YEAR ENDED JUNE 30, 2004

Schedule I

Support and Revenue:

Public support - gambling grant	\$ 95,171
Client fees billed	<u>422</u>
Total Support and Revenue	<u>\$ 95,593</u>

Expenditures:

Program services	\$ 92,101
Support services	<u>17,711</u>
Total Expenditures	<u>\$ 109,812</u>
(Deficit) of Revenue over Expenditures	<u><u>\$ (14,219)</u></u>

Reconciliation of Client Fees:

June 30, 2003 fees receivable	\$ (15)
Fees billed	422
Uncollectible Accounts	(42)
Fees collected	<u>(371)</u>
Fees Receivable	<u><u>\$ (6)</u></u>



SUBSTANCE ABUSE SERVICES CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Schedule II

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
Administrative Office of the United States Courts: Federal Bureau of Prisons	05-417	----	\$ 5,590
United States Probation Office Probation Services Contract	0862-03-03T	----	<u>3,241</u>
Total Direct			<u>\$ 8,831</u>
Indirect:			
United States Department of Health and Human Services: Iowa Department of Public Health: Division of Substance Abuse: Magellan Behavioral Health, Inc. Alcohol and Drug Abuse and Mental Health Block Grant - Managed Care WITS Project	MOU-2004-BH02	93.959 ----	\$ 265,909 3,487
Dubuque County: Jail Diversion Program		93.245	5,803
United States Department of Education: Safe and Drug Free Schools and Communities		84.186	38,178
Office of Drug Control Policy - Residential Halfway House		07.579	3,874
Office of Drug Control Policy - Jail - Based Assessment Project		07.579	<u>38,312</u>
Total Indirect			<u>\$ 355,563</u>
Total			<u><u>\$ 364,394</u></u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors  
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Substance Abuse Services Center in a separate letter dated August 26, 2004.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and management of Substance Abuse Services Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
August 26, 2004

NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Jim Kircher & Associates, P.C., today, released an audit report on Substance Abuse Services Center, Dubuque, Iowa.

Jim Kircher & Associates, P.C. reported that the Center had public support and revenues of \$1,363,297 for the year ended June 30, 2004, which was a 1.6% increase from the prior year. Expenses for the Center's operations totaled \$1,341,960, a 5.1% increase from the prior year. Expenses included \$1,125,591 for program services and \$216,367 for support services; \$19,413 was also expended for property and equipment.

A copy of the audit report is available for review in the office of Auditor of State and the Substance Abuse Services Center.